

Question 1

Time remaining: 1 hour, 29 minutes

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Which of the following is an aspect of relevance, according to the IASB's *Conceptual Framework*?

- ☐ Neutrality
- ☐ Free from error
- ☐ Completeness
- ☐ Materiality

Question 2

Time remaining: 1 hour, 28 minutes

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Which of the following statements is correct?

- ☐ The ICAEW Code of Ethics applies to its members only
- ☐ The ICAEW Code of Ethics applies to its members and employees of member firms only.
- ☐ The ICAEW Code of Ethics applies to its members, employees of member firms and ICAEW students.
- ☐ The ICAEW Code of Ethics applies to its members, employees of member firms, ICAEW students and all other members of UK accountancy bodies.

Question 3

Time remaining: 1 hour, 25 minutes

A business has the following payroll costs for a month:

	£
Gross pay	112,450
Income tax deducted	15,800
Employees' national insurance	9,810
Employer's national insurance	11,200

Requirement

What is the net amount paid to employees for the month?

- ☐ £75,640
- ☐ £91,440
- ☐ £102,640
- ☐ £86,840

Question 4

Time remaining: 1 hour, 25 minutes

George purchases goods on credit from Hardeep for £1,000. £100 of these goods are defective and George returns them to Hardeep.

Requirement

What document would Hardeep issue to George in respect of the returned goods?

- ☐ Invoice
- ☐ Remittance advice
- ☐ Credit note
- ☐ Delivery note

Question 5

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Paula and Quinn are in partnership, sharing profits in the ratio 2:1. On 1 July 20X4 they admitted Paula's son Ryan as a partner. Paula guaranteed that Ryan's profit share would not be less than £25,000 for the six months to 31 December 20X4. The profit sharing arrangements after Ryan's admission were Paula 50%, Quinn 30%, Ryan 20%. The profit for the year ended 31 December 20X4 is £240,000, accruing evenly over the year.

Requirement

What should Paula's final profit share be for the year ended 31 December 20X4?

- ☐ £140,000
- ☐ £139,000
- ☐ £114,000
- ☐ £139,375

Question 6

Time remaining: 1 hour, 23 minutes

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The following are balances on the accounts of Luigi, a sole trader, as at the end of the current financial year and after all entries have been processed and the profit for the year has been calculated.

	£
Non-current assets	85,000
Trade receivables	7,000
Trade payables	3,000
Bank loan	15,000
Accumulated depreciation, non-current assets	15,000
Inventory	4,000
Accruals	1,000
Prepayments	2,000
Bank overdraft	2,000

Requirement

What is the balance on Luigi's capital account?

- ☐ £59,000
- ☐ £66,000
- ☐ £62,000
- ☐ £64,000

Question 7

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When performing a reconciliation between the bank transaction report and the cash at bank account, which **two** of the following would require an entry in the cash at bank account?

- ☐ Deposits credited after date
- ☐ Direct debit shown on bank transaction report only
- ☐ Bank charges
- ☐ Bank error
- ☐ Cheque presented after date

Question 8

Time remaining: 1 hour, 22 minutes

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Alpha received a statement from its credit supplier Beta, showing a balance to be paid of £8,950.

Alpha's payables ledger for Beta shows a balance due to Beta of £4,140.

Investigation reveals the following:

- (1) A bank transfer made to Beta of £4,080 has not been recorded by Beta.
- (2) Alpha has not adjusted the payables ledger for a £40 cash discount taken by Alpha but not allowed by Beta as payment was not made on time.
- (3) Goods costing £380 returned by Alpha have not been recorded by Beta.

Requirement

What discrepancy remains between Alpha's and Beta's records after accounting for these items?

- ☐ £9,310
- ☐ £390
- ☐ £310
- ☐ £1,070

Question 9

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A business has opening inventory of £7,200 and closing inventory of £8,100. Purchases for the year were £76,500, delivery inwards was £50 and delivery outwards was £180.

Requirement

What is the amount for cost of sales?

- ☐ £75,550
- ☐ £75,650
- ☐ £75,830
- ☐ £77,450

Question 10

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Boomerang Co had 200 units in inventory at 30 November 20X1 valued at £800. During December it made the following purchases and sales.

2 Dec 20X1	Purchased	1,000 units	@	£5.00 each
5 Dec 20X1	Sold	700 units	@	£7.50 each
12 Dec 20X1	Purchased	800 units	@	£6.20 each
15 Dec 20X1	Purchased	300 units	@	£6.60 each
21 Dec 20X1	Sold	400 units	@	£8.00 each
28 Dec 20X1	Sold	500 units	@	£8.20 each

Requirement

Which of the following is the closing inventory amount using the first in first out (FIFO) method?

- ☐ £4,460
☐ £4,340
☐ £4,620
☐ £3,500

Question 11

Time remaining: 1 hour, 15 minutes

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During the year ended 31 March 20X4 Boogie plc suffered a major fire at its factory, in which inventory that had cost £36,000 was destroyed. An insurance payment of 80% of the cost has been agreed but not received at the year end.

Requirement

Which of the following correctly completes the journal entry to take account of these matters?

Debit trade and other receivables with £28,800 and:

- ☐ Debit Administrative expenses £36,000, Credit Purchases £28,800, Credit Revenue £36,000
☐ Debit Administrative expenses £7,200, Credit Purchases £36,000
☐ Debit Administrative expenses £36,000, Credit Purchases £36,000, Credit Other income £28,800
☐ Debit Administrative expenses £7,200, Credit Inventory £36,000

Question 12

Time remaining: 1 hour, 14 minutes

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Meridi plc has an allowance for receivables of £500 on 1 July 20X7. During the year to 30 June 20X8 the following events take place:

- (1) A cheque for £92 was recorded and correctly banked but was returned unpaid on 29 June 20X8. No entries have yet been made for this return. The directors wish to write the debt off as irrecoverable.
 (2) An allowance for receivables of £475 is required at the year end.
 (3) A cheque received for £58 in respect of an amount written off in January 20X7 was recorded in the cash at bank account but the suspense account was used to record the other side of the transaction.

Requirement

What is the journal entry required to account for the above issues?

- ☐ Debit Cash at bank £92, Credit Suspense £58, Credit Irrecoverable debts expense £9, Credit Allowance for receivables £25
☐ Debit Suspense £58, Debit Receivables £92, Credit Irrecoverable debts expense £33, Credit Cash at bank £92, Credit Allowance for receivables £25
☐ Debit Suspense £58, Debit Irrecoverable debts expense £67, Debit Allowance for receivables £25, Credit Cash at bank £92, Credit Receivables £58
☐ Debit Suspense £58, Debit Irrecoverable debts expense £9, Debit Allowance for receivables £25, Credit Cash at bank £92

Question 13

Time remaining: 18 minutes

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Butters plc is finalising certain figures that will appear in its financial statements as at 30 June 20X5. On 1 March 20X4 the company paid an annual subscription to a trade association of £21,000 for the 12 months ended 28 February 20X5. A 12.5% increase in this subscription is expected, but has not been finalised at 30 June 20X5.

Requirement

What will Butters include in its statement of financial position at 30 June 20X5 in respect of the subscription?

- ☐ an accrual of £15,750
☐ an accrual of £7,875
☐ a prepayment of £15,750
☐ a prepayment of £7,875

Question 14

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Alli Ltd owns a number of properties which are rented to tenants. Cash received from tenants in the year ended 30 June 20X6 was £834,600 which has been included as rental income in the year. The following information is available for the year ended 30 June 20X6:

	Rent in advance	Rent in arrears
	£	£
30 June 20X6	144,600	8,700

All rent in arrears was subsequently received.

Requirement

What is the journal entry to adjust Alli Ltd's rental income for the year ended 30 June 20X6?

- ☐ Debit Accrued income £144,600, Credit Deferred income £8,700, Credit Rental income £135,900
- ☐ Debit Accrued income £8,700, Debit Rental income £135,900, Credit Deferred income £144,600
- ☐ Debit Deferred income £144,600, Credit Accrued income £8,700, Credit Rental income £135,900
- ☐ Debit Deferred income £8,700, Debit Rental income £135,900, Credit Accrued income £144,600

Question 15

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Which of the following statements about intangible assets in public company financial statements are correct?

- (1) Internally generated goodwill should not be capitalised.
- (2) Purchased goodwill should normally be amortised through the statement of profit or loss.
- (3) Development expenditure must be capitalised if certain conditions are met.

- ☐ 1 and 3 only
- ☐ 1 and 2 only
- ☐ 2 and 3 only
- ☐ 1, 2 and 3

Question 16

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Anaconda plc acquired a machine on 31 March 20X4, its year end, for £196,600. It made a bank transfer to the seller totalling £110,000 and traded in an old machine with a carrying amount at that date of £34,400. This machine had cost £60,000. A further sum of £42,000 was then due to the supplier of the machine as the final payment.

The entry made in the accounting records in respect of this transaction was to debit the suspense account with £152,000, credit cash £110,000 and credit other payables £42,000.

Requirement

Which of the following journal entries is required to correctly reflect the purchase and disposal in Anaconda plc's accounting records?

- ☐ Debit Machine – cost £196,600, Debit Machine – accumulated depreciation £34,400, Credit Disposal £79,000, Credit – suspense £152,000
- ☐ Debit Machine – cost £136,600, Debit Machine – accumulated depreciation £34,400, Credit Disposal £19,000, Credit – suspense £152,000
- ☐ Debit Machine – cost £196,600, Debit Machine – accumulated depreciation £25,600, Credit Disposal £70,200, Credit – suspense £152,000
- ☐ Debit Machine – cost £136,600, Debit Machine – accumulated depreciation £25,600, Credit Disposal £10,200, Credit – suspense £152,000

Question 17

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Asha Ltd, a manufacturing company, receives an invoice on 29 February 20X2 for work done on one of its machines. £25,500 of the cost is actually for a machine upgrade, which will improve efficiency. The accounts department do not notice and charge the whole amount of the invoice to maintenance costs. Machinery is depreciated at 25% per annum on a straight-line basis, with a proportional charge in the years of acquisition and disposal.

Requirement

By what amount will Asha Ltd's profit for the year to 30 June 20X2 be understated?

- ☐ £19,125
- ☐ £25,500
- ☐ £23,375
- ☐ £21,250

Question 18

Time remaining: 13 minutes

At 30 June 20X5 Meredith plc had the following balances:

	£m
Equity shares of £1 each	100
Share premium	80

During the year ended 30 June 20X6, the following transactions took place:

1 September 20X5: A 1 for 2 bonus issue of equity shares, using the share premium.

1 January 20X6: A 2 for 5 rights issue at £1.50 per share, taken up fully paid.

Requirement

What are the balances on each account at 30 June 20X6?

- ☐ Share capital £210 million, Share premium £110 million
- ☐ Share capital £210 million, Share premium £60 million
- ☐ Share capital £240 million, Share premium £30 million
- ☐ Share capital £240 million, Share premium £80 million

Question 19

Time remaining: 1 hour, 27 minutes

Which of the following journals could be used to correctly record a bonus issue of shares?

- ☐ Debit Cash at bank, Credit Share capital
- ☐ Debit Share capital, Credit Share premium
- ☐ Debit Share premium, Credit Share capital
- ☐ Debit Investments, Credit Cash at bank

Question 20

Time remaining: 1 hour, 26 minutes

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In the course of preparing a statement of cash flows, the following figures are to be included in the calculation of net cash flows from operating activities.

	£
Depreciation charges	900,000
Impairment losses	80,000
Profit on sale of non-current assets	40,000
Increase in inventories	130,000
Decrease in trade receivables	100,000
Increase in trade payables	80,000

Requirement

What will the net effect of these items be in the statement of cash flows?

- ☐ Addition to cash flows from operating activities: £890,000
- ☐ Deduction from cash flows from operating activities: £890,000
- ☐ Addition to cash flows from operating activities: £1,070,000
- ☐ Addition to cash flows from operating activities: £990,000

Question 21

Time remaining: 1 hour, 26 minutes

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An extract from the statement of financial position for Highmead has the following balances:

	20X5	20X4
	£	£
Current liabilities		
Income tax payable	150,000	10,000

The tax expense in the statement of profit or loss for the year ended 20X5 was £160,000 and £150,000 in the year ended 20X4.

Requirement

What is the amount of tax that Highmead paid or received in the year ended 20X5?

- ☐ £20,000 paid
- ☐ £20,000 received
- ☐ £10,000 paid
- ☐ £10,000 received

Question 22

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Which of the following transactions are not recorded in a company's cash at bank account?

- ☐ Bonus issue of shares
- ☐ Sale of goods for cash to a customer
- ☐ Receipt of loan from a bank
- ☐ Purchase for cash of shares in another company

Question 23

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Mayo plc has prepared a draft statement of profit or loss that shows a net profit of £75,000 for the year ended 30 April 20X5. Subsequently, the following matters have been discovered.

(1) A subscription notice for £1,000 was received in April 20X5 for the year to 30 April 20X6. Mayo plc pays the subscription in two equal instalments. The first instalment was paid on 28 April 20X5 and posted to the cash at bank account and to administrative expenses. No other entries have been made. (2) Goods that cost £400 and sold at a gross margin of 75% were returned by Dandy Ltd on 30 April 20X5, after the inventory count had taken place. No credit note was issued.

Requirement Once these matters have been dealt with Mayo plc's net profit for the year ended 30 April 20X5 will be:

- ☐ £75,400
- ☐ £74,300
- ☐ £75,100
- ☐ £75,700

Question 24

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Finish >

The net assets of Walter's business decreased by £11,025 over the year to 31 October 20X7. During that year he had paid in additional capital of £14,000, drawn £875 in cash each month and, on one occasion, taken goods costing £2,625 for his own use.

Requirement

The loss made by the business for the year ended 31 October 20X7 was:

- ☐ £10,150
- ☐ £11,900
- ☐ £21,525
- ☐ £25,025

Scenario-based question - Jayne plc

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Jayne plc

The following trial balance was extracted from the nominal ledger of Jayne plc on 31 December 20X2.

	£	£
Accrued expenses at 31 December 20X2		2,500
Administration expenses	198,076	
Cost of sales	426,772	
Cash and bank	15,477	
Payables due within one year (includes preference dividends payable)		49,809
Receivables	12,691	
Distribution Costs	61,554	
Preference dividend paid	3,600	
Equity dividend paid	4,000	
Non-current assets at cost	157,680	
10% loan (repayable in 10 years)		33,000
£1 equity share capital		11,000
60% £1 preference share capital (irredeemable)		6,000
Accumulated depreciation at 31 December 20X1		40,630
Retained earnings at 31 December 20X1		26,014

Requirement

Prepare the statement of profit or loss for Jayne plc for the year ended 31 December 20X2 and the statement of financial position at that date.

Statement of profit or loss for the year ended 31 December 20X2

	£
Revenue	
Cost of sales (W1)	
Gross profit	
Distribution costs (W1)	
Administrative expenses (W1)	
Operating profit/(loss)	
Finance costs	
Profit/(loss) before tax	
Income tax expense (W4)	
Profit/(loss) for year	

Statement of financial position at 31 December 20X2

	£
Non-current assets	
Property, plant and equipment	
Land	

Suspense account	1,350
Share premium	7,500
Inventories at 31 December 20X2	39,323
Revenue	726,370
Income tax at 31 December 20X1	15,000
	919,173

The following additional information is relevant.

- Jayne plc sold a motor vehicle during the year ended 31 December 20X2. The motor vehicle sold had a cost of £2,000 and a carrying amount of £1,100. Any profits or losses on disposal are treated as a cost of sales. Jayne plc for this transaction has been to record the sales proceeds in cash at bank and used the suspense account as the other side of the entry. There are no other entries in the suspense account.
- The non-current assets account includes freehold land which cost £25,000. Depreciation is charged at 20% on the carrying amount of depreciable assets in use at the year end. This charge is to be distributed 40% to cost of sales, 30% to distribution costs and 30% to administrative expenses.
- A bonus issue of 1 for 5 equity shares made during the year out of the share premium account has not been reflected above.
- Included in administrative expenses is a rates payment of £1,500 for the year to 1 April 20X3. An invoice for insurance of £1,200 for the year to 30 November 20X3 was received and processed on 5 January 20X3.
- The following accruals are to be made.
 - Loan interest (12 months)
 - Income tax of £12,000

- The income tax liability of £15,000 at 31 December 20X1 was settled at £15,400 in September 20X2. The payment was debited to administration expenses.
- At 31 December 20X2 Jayne plc considers an amount owing of £453 from Mr Maguire should be written off as irrecoverable, and a further allowance for receivables of 3% of the remaining receivables is necessary. Irrecoverable debts expenses are included in

Other non-current assets	
Current assets	
Inventories	
Trade receivables	
Prepayments (W1)	
Cash and cash equivalents	
Total assets	
Equity	
Equity share capital	
Preference share capital	
Share premium	
Retained earnings (W5)	
Non-current liabilities	
Borrowings	
Current liabilities	
Borrowings	

administrative expenses.

(8) Jayne plc received a letter in December 20X2 from the solicitor of a former employee claiming that their client was unfairly dismissed. Jayne plc's legal advisors estimate that there is a 70% chance that the claim will be successful and they estimate that the award to the claimant will be £20,000. Provisions are charged to administrative expenses.

(9) A payment for £12,000, sent to a supplier, was incorrectly recorded as £21,000. This error has not been corrected in the accounting records of Jayne plc.

Bank overdraft

Trade payables

Provision for legal claim

Accruals

Deferred income

Income tax payable (W4)

Total equity and liabilities